

From: 3 Rivers Federal Credit Union, Jim Johnson
Subject: Reg II - Debit card Interchange

Comments:

Secretary Johnson

I am writing to ask you that you do what you can to repeal the Durbin Amendment to the Dodd-Frank Wall Street Reform & Consumer Protection Act. In summary, this Amendment is designed to "punish" financial institutions for earning interchange income on debit card transactions. The Amendment falsely claims that consumers have been burdened by interchange fees when they use their debit cards. Consumers are not and have not been paying fees for using their debit cards. If you use a debit card, please review your last bank statement. You not find a fee listed associated with the use of your debit card.

If this Amendment is not repealed, banks and credit unions (which I work for) will lose millions in interchange fees. These fees come from our card provider (Visa, in our case). When a card is swiped for a purchase, the seconds it takes to approve the transaction is not done for free. Debit cards provide the merchant a fast, safe, secure method to obtain payment for goods sold. Visa, MasterCard, etc. charges a reasonable fee to make this transaction complete quickly and safely. Consumers are more protected by using their debit cards. They do not have to carry cash. Merchants are more and more less willing to accept cash.

The interchange fee charged to the merchant is "shared" with the issuing institution (the bank/credit union who issues debit cards). The consumer is completely unaware that these fees exist because **THEY ARE NOT CHARGED FOR THESE FEES OR HAVE THEIR ACCOUNTS DEBITED FOR THE USE OF THEIR DEBIT CARDS.**

With the Durbin Amendment, banks/credit unions who will lose millions in interchange income will be forced to find alternative revenue sources. This will most likely happen through deposit account fees that today do not exist. It will impair the "unbanked" the most. By allowing this Amendment to pass, the consumer **WILL BE AFFECTED AND IT WILL COST THEM MORE.** Prices from the merchants will not go down. Prices will continue to rise everywhere and consumers will be fee'd more due to this legislation.

Please do what you can to repeal this damaging Durbin Amendment. I work for an institution with less than \$10B in assets but this Amendment **WILL** negatively affect us and hurt our membership. It will.

When you paid for a fast food meal recently and paid cash for the food, did you pay less than if you would have paid with your debit card? Of course not. Merchants are stating that debit card interchange is unfair but they do not adjust their pricing based upon the consumers choice of payment. Interchange is the cost of doing business today in a fast, safe, secure way - both for the merchant and the consumer.

This Amendment will cause **SEVERE** problems for consumers. It **WILL** increase banking fees. It **WILL** increase the number of people who will not be able to afford a banking relationship. I will **NOT** reduce costs for consumers in an economy that cannot take much more "help" from the Government.

We are especially concerned that there are no provisions in the proposed rule that enforce the anti-discrimination provisions in the law. We are worried that merchants face no penalties if they discriminate against the use of debit cards by consumers using cards issued by small issuers.

The proposed debit interchange rates also concern us, especially if the establishment and maintenance of a two-tiered structure cannot be assured. The Fed should consider all costs of operating a debit interchange system to the maximum extent allowable by law, including all fraud prevention costs such as the cost of new technology that reduces potential fraud.

Even if a two-tiered system is permitted and works in practice, small issuers will be disadvantaged if the provisions on routing and exclusivity that allow merchants to choose how debit card transactions are processed are not implemented properly. We therefore urge the Fed to adopt routing "Alternative A," which would only require issuers to provide debit cards that can be used over two unaffiliated networks, such as a PIN-based network and an unaffiliated signature-based network. Requiring more than two networks is inconsistent with statutory requirements and would place an unreasonable regulatory burden on our credit union that could negatively impact service to our members.

If the small issuer exemption is not implemented and effective in the way that Congress intended and the full range of costs associated with debit card programs are not fully taken into account, consumers will likely face higher debit card costs or the loss of access to cards issued by small card issuers like credit unions that provide better deals for consumers than large issuers.

Sincerely,

Jim Johnson
VP Member Services
3 Rivers Federal Credit Union